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BEFORE THE ARIZONA CORPORATION

OPEN MEETING AGENDA ITEM

**COMMISSIONERS**

DOUG LITTLE, Chairman  
BOB STUMP  
BOB BURNS  
TOM FORESE  
ANDY TOBIN

Arizona Corporation Commission

**DOCKETED**

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IN THE MATTER OF THE APPLICATION  
OF SULPHUR SPRINGS VALLEY  
ELECTRIC COOPERATIVE, INC., FOR  
APPROVAL TO INCUR DEBT TO  
FINANCE ITS 2010-2012 CONSTRUCTION  
WORK PLAN AND FOR RELATED  
APPROVALS.

**DOCKET NO. E-01575A-10-0311**

**EXCEPTIONS TO STAFF REPORT AND  
PROPOSED ORDER**

Sulphur Springs Valley Electric Cooperative, Inc., ("SSVEC" or the "Cooperative") hereby submits its exceptions and proposed amendments to the Utilities Division Staff ("Staff") Report and Order ("Proposed Order") filed in this case on February 17, 2016. While SSVEC substantially agrees with the Proposed Order, it objects to Staff's recommendation that the Cooperative fund a study regarding the operation and possible replacement of its TS1 meters. In addition, SSVEC requests clarifying language in Findings of Fact 16 and 23 as discussed below.

**1. Meter Study in Findings of Fact 13 and 24.**

In Findings of Fact 13 and 24 of the Proposed Order, Staff recommends "[t]hat SSVEC fund a meter study that will address the current problems with the TS1 meters and explore the potential for new meters that address both the current problem as well as allow for future use in more complex rate designs utilizing customer data for all customer classes in 15 minute intervals." The February 17, 2016, Staff Engineering Report accompanying the Proposed Order sets forth a detailed description of Staff's requirements regarding the meter study. Specifically, Staff recommends that SSVEC perform an initial study that would result in a plan and proposal to solve the "residential meter/module communication problem."<sup>1</sup> Staff then recommends that SSVEC prepare a second proposal "where both the current meter/module communication problem will be solved and a phase-in of a new meter with the capability of providing a demand reading for a

<sup>1</sup> Staff Engineering Report dated February 17, 2016 at 5.

1 three-part rate will be completed, ... “[including] the proposed costs and time-frame for  
2 implementation.”<sup>2</sup> Staff proposes that the study should cost no more than \$200,000 of the  
3 \$3,000,000 budget for meter replacements in the 2015-2017 Construction Work Plan.<sup>3</sup>

4 SSVEC strongly opposes these recommendations for the reasons that are discussed in the  
5 following paragraphs. In its February 17, 2016 Staff Engineering Report, Staff describes a  
6 “problem getting correct billing information from some residential TS1 meters” which Staff then  
7 mischaracterizes as “bad readings” for some TS1 meters.<sup>4</sup> To be precise, there is no problem with  
8 the TS1 meters functioning properly and capturing customer usage data correctly. The TS1 meter  
9 readings are accurate and SSVEC is billing its members correctly. The problem lies in the line  
10 harmonics which affect the communication of some of the TS1 meter readings over the power  
11 lines to SSVEC. When Cooperative members use larger equipment, line harmonics or distortions  
12 sometimes occur on the power lines which disrupt the communication of meter data to SSVEC.  
13 In these cases, SSVEC must send out personnel to manually read the meters. However, the  
14 problem caused by line harmonics is manageable without replacing properly functioning meters  
15 and the interrupted data communications are becoming less frequent as the Cooperative continues  
16 to work on the issue. SSVEC has comparative data for the April to September time period<sup>5</sup> for  
17 the past three calendar years which was used to compute the percentage of manual meter reads  
18 during the six-month period, as follows:

<u>Year</u>	<u>Percentage of TS1 Meters Read Manually</u>
2013	5.1%
2014	3.1%
2015	2.8%

23 Based upon this data, SSVEC submits that the TS1 meter communication problem is  
24 overstated by Staff. Communications problems are common in the electric industry and are

25  
26 <sup>2</sup> *Id.* at 6.

27 <sup>3</sup> *Id.*; *see also*, Proposed Order at 3, footnote 1.

28 <sup>4</sup> Staff Engineering Report dated February 17, 2016 at 4-5.

<sup>5</sup> SSVEC used the April to September period because it has complete data regarding manual meter reads for that time period for each of 2013, 2014 and 2015, whereas data on manual meter reads during some of the other months during the years is incomplete.

1 certainly not unique to SSVEC. Thus, it is not clear why SSVEC would be singled out for what  
2 appears to be increased scrutiny, especially at a time when the communications problems caused  
3 by line harmonics are decreasing.

4 Staff states that the communication issue “can affect the readings of up to 7 percent of  
5 residential TS1 customers each month, as many as 2,900 customers.”<sup>6</sup> However, this is not the  
6 case. The highest number of manually read TS1 meters within the last two years was 1,772 which  
7 occurred in December 2014, a month of unusually high manual meter reads. Power Line Carrier  
8 systems transmit all meter reads through substations, and the high number of manual meter reads  
9 in December 2014 was due to substation switching procedure issues which have since been  
10 corrected.

11 Staff appears to believe that demand meters are the only way to obtain accurate billing  
12 information. However, as explained above, the TS1 meters already provide accurate billing data.  
13 Moreover, Staff is not considering what is in the best interest of the Cooperative’s members.  
14 SSVEC believes that replacing the TS1 meters with PLX demand meters will cost approximately  
15 \$18 million. By comparison, the cost of manually reading TS1 meters when communications  
16 issues arise is estimated at only \$136,000 per year. An economic case for replacing the existing  
17 TS1 meters simply does not exist. SSVEC’s solution of manually reading meters when  
18 communication disruptions occur is less expensive by an order of magnitude and accomplishes  
19 the same result.

20 SSVEC would also point out that the installation of new demand meters would not  
21 eliminate all manual meter reads. There is no system that delivers 100% meter reading accuracy  
22 without the need for manual meter reads. New power line carrier meters work well, but are still  
23 susceptible to the problem of harmonic distortion on the lines. In addition, the Commission is  
24 also likely to allow interested members to opt out of radio frequency meter installations so those  
25 meters would still need to be read manually.

26 Staff asserts that the investor-owned utilities have embraced the use of demand meters.  
27 However, SSVEC would point out that cooperatives have a different financial relationship with

28 <sup>6</sup> *Id.* at 4.

1 their member-owners that investor-owned utilities have with their customers. If an investor-  
2 owned utility invests more money in demand meters, for example, then the shareholders will  
3 expect to earn a rate of return on that investment. By comparison, if a cooperative invests more  
4 money in demand meters, this increases the cost burden on the member-owners. SSVEC submits  
5 that the decision to replace meters and the timing of such replacements are management decisions  
6 to be made by the Cooperative's management, which is in a better position to know the will of its  
7 member-owners that Staff.

8 Staff is recommending a meter study that would require the collection of a variety of  
9 information for "all possible new meters/modules" that could replace the TS1 meters as well as  
10 "information about places in the U.S. where each meter is currently in use."<sup>7</sup> In addition, Staff's  
11 proposal would require the Cooperative to "[c]ontact the utilities using each type of meter and  
12 solicit comments on the meters."<sup>8</sup> Requiring a study of such scope and magnitude is far beyond  
13 anything that SSVEC would undertake when evaluating a new metering system. Again, the  
14 selection of new meters when the time comes is a management decision to be made by the  
15 Cooperative's management.

16 Finally, SSVEC demonstrates in its current rate case application that solar distributed  
17 generation ("DG") customers are not paying their share of the fixed costs of operating the electric  
18 system under the Cooperative's current rate design. SSVEC also demonstrates in its rate  
19 application that the under-recovered fixed costs attributable to solar DG customers can be  
20 collected through a higher fixed cost without installing costly demand meters.

21 For all of these reasons, SSVEC requests that the Commission reject Staff's  
22 recommendation that the Cooperative fund and complete a meter replacement study. For the  
23 Commission's convenience and consideration, attached hereto as Attachment 1 is SSVEC's  
24 Proposed Amendment 1 which eliminates the requirement for a meter study.

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27  
28 <sup>7</sup> *Id.* at 5.

<sup>8</sup> *Id.*

1           **2. Cancellation of Other Borrowing Authority in Finding of Fact 23.**

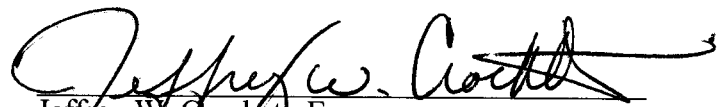
2           On November 6, 2012, SSVEC filed an application with the Commission for an order  
3 approving a comprehensive credit management program and superseding and replacing certain  
4 conditions contained in Decision 72237 pertaining to the refinancing of SSVEC's existing and  
5 authorized debt. The Commission approved the Cooperative's application in Decision 74006 on  
6 July 30, 2013. In Finding of Fact 23 of the Proposed Order in this docket, Staff recommends  
7 "[t]hat the Commission cancel all previously authorized but unused borrowing authority with the  
8 exception of those authorized in Decision Nos. 72237 and 70027 (except indebtedness under  
9 revolving credit agreements)." SSVEC does not object to this condition but would like to make  
10 certain the record is clear that Staff's recommendation pertains to Decision 72237 as modified by  
11 Decision 74006. For the Commission's convenience and consideration, attached hereto as  
12 Attachment 1 is SSVEC's Proposed Amendment 1 which modifies Finding of Fact 23 and the  
13 ordering paragraph at page 5, lines 23-25, to make this clarification.

14           **3. Use of Loan Proceeds in Finding of Fact 16.**

15           Finding of Fact 16 of the Proposed Order states that "SSVEC states that it did not use the  
16 loan proceeds as authorized and did not file a compliance filing for variances from the authorized  
17 proceeds." SSVEC is concerned that this language may be inadvertently misleading. While  
18 SSVEC did not use some of the loan proceeds as authorized by the Commission, the other loan  
19 proceeds were used as authorized by the Commission. Thus, SSVEC requests a minor addition  
20 to the language in Finding of Fact 16 to clarify this point. For the Commission's convenience  
21 and consideration, attached hereto as Attachment 1 is SSVEC's Proposed Amendment 1 which  
22 modifies Finding of Fact 16 to make this clarification.

23           RESPECTFULLY submitted this 29<sup>th</sup> day of February, 2016.

24           CROCKETT LAW GROUP PLLC

25           

26           Jeffrey W. Crockett, Esq.  
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              Cooperative, Inc.

1 ORIGINAL plus thirteen (13) copies filed  
2 this 29<sup>th</sup> day of February, 2016, with:

3 Docket Control  
4 ARIZONA CORPORATION COMMISSION  
5 1200 West Washington Street  
6 Phoenix, Arizona 85007

7 COPIES of the foregoing hand-delivered  
8 This 29<sup>th</sup> day of February, 2016, to:

9 Dwight Nodes, Chief Administrative Law Judge  
10 Hearing Division  
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24  
25  
26  
27  
28  


# **ATTACHMENT 1**

**PROPOSED AMENDMENT # 1**

DATE PREPARED: February 29, 2016

COMPANY: Sulphur Springs Valley Electric Cooperative, Inc.

DOCKET NO.: E-01575A-10-0311

OPEN MEETING DATES: March 2, 2016

AGENDA ITEM: U-9

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Page 3, line 19,

INSERT "some of" between "use" and "the"

Page 5, line 2,

INSERT ", as modified by Decision 74006," between "72237" and the word "and"

Page 5, line 8,

INSERT a new Finding of Fact 25 as follows:

Staff's recommendations are reasonable and will be adopted except that we will not require SSVEC to fund a meter study at this time.

Page 5, line 24,

INSERT ", as modified by Decision 74006," between "72237" and the word "and"

Page 5, line 26,

DELETE the ordering paragraph beginning on page 5, line 26, and continuing through page 6, line 2.

Make all other conforming changes.